

Message Text

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PAGE 01 JAKART 03647 270835Z

43

ACTION EB-07

INFO OCT-01 EA-06 ISO-00 INT-05 COME-00 TRSE-00 AID-05

SS-15 SP-02 CIAE-00 INR-07 NSAE-00 IGA-01 IO-10 STR-04

CIEP-01 (ISO) W

----- 013912

R 270735Z MAR 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 7245

INFO AMCONSUL MEDAN

AMCONSUL SURABAYA

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EO 11652: N/A

TAGS: EMIN ETRA ID

SUBJ: VISIT OF US OF KEY INDONESIAN MINING OFFICE

REF: STATE 42348

1. SUMMARY. THIS MESSAGE IS TO ALERT THE DEPARTMENT AND OTHER INTERESTED AGENCIES TO VISIT OF DR SOETARJO SIGIT, SECRETARY GENERAL, GO DEPARTMENT OF MINING, TO NEW YORK CIRCA APRIL 25-28. WE RECOMMEND DEPARTMENT INVITE HIM FOR CONSULTATION ON MATERS OF MUTUAL INTEREST WITH SENIOR USG TRADE POLICY OFFICIALS, OFFER TO ARRANGE OTHER CONTACTS, AND EXTEND VIP TREATMENT. END SUMMARY

2. SIGIT INVITED AS "EXPERT" TO TAKE PART IN DISCUSSIONS OF PROPOSED UN REVOLVING FUND FOR MINERAL EXPLORATION. MEETINGS ARE PLANNED APRIL 25, 26 AND POSSIBLY MONDAY 28. APART FROM UN DUTIES SIGIT HOPES TO TAKE THE OCCASION TO LOOK FURTHER INTO SCHEDMES FOR REGULATING WORLD TRADE IN (MINERAL) COMMODITIES, INCLUDING POTENTIAL COSTS AND BENEFITS TO INDONESIA OF MEMBERSHIP IN BAUXITE ASSOCIATION AND IN CIPEC. DOUBTFUL HE

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PAGE 02 JAKART 03647 270835Z

WILL HAVE MORE THAN A COUPLE OF EXTRA DAYS TO SPEND

ON THIS BUSINESS.

3. LONG A MAJOR TIN PRODUCER AND ACTIVE MEMBER OF INTERNATIONAL TIN COUNCIL, INDONESIA HAS NOW INITIATED EXPORTS FROM A MAJOR COPPER MINE, BIDS TO BECOME A SIGNIFICANT FACTOR IN NICKEL MARKET AND TO OPEN LARGE BAUXITE MINE REFINERY AND MAJOR NEW COAL MINE. MINERALS PROJECTS UNDER WAY OR PENDING WOULD ACCOUNT FOR SOMETHING ON THE ORDER OF \$4 BILLION IN NEW CAPITAL INVESTMENT. INDONESIA NOW EXPLORING VARIOUS APPROACHES TO IMPROVING TERMS OF TRADE FOR COMMODITY EXPORTS, INCLUDING MORE ACTIVE ROLE IN PRODUCER GROUPINGS. AS DEPARTMENT AWARE, MINISTER OF MINES HAS ANNOUNCED INDONESIA WILL JOIN BAUXITE ASSOCIATION (A DECISION HE PRIVATELY DESCRIBED AS "POLITICAL"). (WE REMAIN UNCERTAIN HOW ASSOCIATION MEMBERSHIP WILL SQUARE WITH INDONESIA'S DESIRE TO FACILITATE DEVELOPMENT OF ALCOA'S GIANT BAUXITE MINE AND REFINERY IN WEST KALIMANTAN, AND OF HOW EARLY AND HOW MILITANT INDONESIA'S MEMBERSHIP MAY BE.) WE ARE UNAWARE OF ANY DISPLAY OF POSITIVE INDONESIAN INTEREST IN CIPEC MEMBERSHIP TO DATE. GOI TRADE OFFICIALS AWARE OF POSITION OUTLINED REFERENCE.

4. SIGIT IS LEADING POLICYMAKER ON HARD-MINERALS SIDE OF MINING DEPARTMENT, PROMOTED TO PRESENT "UNDER SECRETARY" POSITION BY CURRENT MINISTER, PROFESSOR SADLI. HE STANDS FOR POLICIES THAT PROMOTE RAPID DEVELOPMENT INDONESIAN RESOURCES WITH PARTICIPATION OF FOREIGN CAPITAL (DIRECTED BY SYSTEM OF INCENTIVES AND SAFEGUARDS). HE IS PRACTICAL, WELL-INFORMED, OPEN MINDED, EXTREMELY INTELLIGENT, AND INFLUENTIAL. EXPECT HIS VOICE TO BE PROMINENT IN INDONESIAN TRADE POLICY FORMULATION IN PERIOD OF RESOURCE DIPLOMACY AHEAD.

5. WE RECOMMEND DEPARTMENT EXTEND INVITATION FOR SIGIT TO MEET WITH ASSISTANT SECRETARY ENDERS AND WITH DEPUTY ASSISTANT SECRETARY JULES KATZ AND PERHAPS LIMITED OFFICIAL USE

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PAGE 03 JAKART 03647 270835Z

OFFICIALS OF NSC (BOB HORMATS?). WOULD ALSO RECOMMEND WE OFFER HIM AN OPPORTUNITY TO MEET WITH SOME EMINENT NON-GOVERNMENT AUTHORITIES PRODUCING CONSTRUCTIVE PROPOSALS FOR FUTURE INTERNATIONAL TRADE STRUCTURE--FRED BERGSTEN OF BROOKINGS, HARRY G JOHNSON, FOR EXAMPLE, IF AVAILABLE. WE BELIEVE ANY VIP FACILITATION DEPARTMENT CAN PROVIDE FOR SIGIT'S CONSULTATIONS WILL REPAY THE EFFORT.

6. MEETINGS WE PROPOSE CAN HAVE SEVERAL PAYOFFS;
WE BELIEVE SIGIT WILL HAVE SOMETHING TO SAY OF
INTEREST TO USG ECONOMIC POLICY OFFICIALS WELL-VERSED
IN CURRENT COMMODITY-TRADE DEBATES. IT WILL BE
WORTH OUR WHILE TO EARN HIS GOOD OPINION OF OUR TRADE
OBJECTIVES AND STRATEGY. HIS IS A VOICE OF REASON
AND ONE IT IS IN OUR INTEREST TO STRENGTHEN IF WE CAN
BY PROVIDING HIM WITH ACCESS TO SENIOR USG OFFICIALS
AND PRIVATE AUTHORITIES RESPECTED IN INDONESIA.

7. WILL BE HELPFUL IF DEPARTMENT CAN PROVIDE INITIAL
RESPONSE BY WASHINGTON COB FRIDAY 27 MARCH.
NEWSOM

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: VISITS, MINING INDUSTRY
Control Number: n/a
Copy: SINGLE
Draft Date: 27 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975JAKART03647
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750108-0105
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750310/aaaaaiya.tel
Line Count: 129
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 42348
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 14 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 JUL 2003 by BoyleJA>; APPROVED <15 JUL 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VISIT OF US OF KEY INDONESIAN MINING OFFICE
TAGS: EMIN, ETRD, OVIP, ID, (SIGIT, SOETARJO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006